

Message Text

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TAGS: ECON, CA

SUBJ: NO INCREASE IN REAL GNP FOR SECOND QUARTER

1. STATISTICS CANADA RELEASED ON AUGUST 30 SECOND QUARTER GNP FIGURES, SHOWING RISE OF 3.3 PERCENT IN GROSS FIGURES BUT NO CHANGE IN REAL GNP. SEASONALLY ADJUSTED GNP AT ANNUAL RATES WAS C\$182.9 BILLION IN SECOND QUARTER (VERSUS C\$177.0 BILLION IN FIRST) WHILE REAL GNP IN CONSTANT (1971) DOLLARS WAS C\$115.1 BILLION IN BOTH QUARTERS.

2. ACCORDING TO STATCAN, "SLOWDOWN IN REAL GROWTH SHOULD NOT BE ATTRIBUTED AS A SIGNAL THAT THE RECOVERY IS ABOUT TO ABORT, HOWEVER, BECUSE IT WAS ENTIRELY THE RESULT OF A SUBSTANTIAL SWING TO INVENTORY LIQUIDATION FROM LAST QUARTER'S MASSIVE ACCUMULATION." (VALUE OF PHYSICAL CHANGE IN INVEOTIRES IN CONSTANT DOLLARS WAS PLUS C\$1,840 MILLION IN FIRST QUARTER AND MINUS C\$280 MILLION IN SECOND). "THE AVERAGE RATE OF REAL GROWTH FOR THE FIRST HALF, WITH THE DISTORTING EFFECTS OF THE INVENTORY MOVEMENTS VERY NEARLY CANCELLING THEMSELVES OUT, WAS A RESPECTABLE 1.3 PERCENT."

3. REAL FINAL DOMESTIC DEMAND (I.E., GROSS NATIONAL

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EXPENDITURES PLUS IMPORTS MINUS EXPORTS AND INVENTORIES)

INCREASED 1.1 PERCENT, FROM C\$120.6 BILLION IN FIRST QUARTER TO C\$121.99 BILLION IN SECOND. STATCAN ATTRIBUTED INCREASE TO "LONG AWAITED IMPROVEMENTS IN THE BALANCE OF TRADE" AND RETURN OF PERSONAL EXPENDITURE TO "HEALTHY GROWTH."

4. PERSONAL EXPENDITURE INCREASED 3.3 PERCENT TO C\$106.3 BILLION, AND IN REAL TERMS CONSUMPTION GREW 1.7 PERCENT, TO C\$73.1 BILLION FROM C\$71.85 BILLION. EXPENDITURES ROSE 5.4 PERCENT ON DURABLES AND WAS DOWN 1.3 PERCENT ON NON-DURABLES.

5. GROSS FIXED CAPITAL SPENDING INCREASED 3.2 PERCENT IN SECOND QUARTER, BUT MOST OF THIS WAS DUE TO PRICE INCREASES AND TOTAL FIXED INVESTMENT ROSE ONLY 0.9 PERCENT IN REAL TERMS.

6. IMPLICIT PRICE INDEX FOR GROSS NATIONAL EXPENDITURE INCREASED 3.3 PERCENT, WHICH STATCAN ATTRIBUTED TO INCREASE IN IMPLICIT PRICE INDEX OF GOVERNMENT CURRENT EXPENDITURE RISING 8.3 PERCENT AS RESULT OF LARGE RETROACTIVE WAGE PAYMENT.

7. COMMENT: AS STATCAN POINTED OUT, LARGE INVENTORY LIQUIDATION WAS CHIEFLY RESPONSIBLE FOR NO REAL GROWTH IN GNP FOR SECOND QUARTER, BUT THERE WERE OTHER WEAK ELEMENTS IN ECONOMY HOLDING BACK RECOVERY. CORPORATE PROFIT WAS VIRTUALLY UNCHANGED (C\$18,776 MILLION VERSUS C\$18,760 MILLION) FROM FIRST QUARTER, AND WAS LOWER THAN FOURTH QUARTER 1975 (C\$19,524 MILLION). NET INCOME OF FARM OPERATORS FELL FROM C\$3,3808 MILLION TO C\$3,408 MILLION. IN GROSS NATIONAL EXPENDITURE ACCOUNTS, BALANCE OF TRADE IMPROVED CONSIDERABLY (E.G. SWING OF ALMOST C\$800 MILLION AT ANNUAL RATES), BUT STATCAN SAID BALANCE ON SERVICES CONTINUED TO DETERIORATE. IN REAL TERMS, BUSINESS NON-RESIDENTIAL CONSTRUCTION DECREASED FROM C\$7,740 MILLION TO C\$7,672 MILLION.

8. IN ADDITIONAL TO THESE NEGATIVE CONDITIONS IN ECONOMY
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DURING SECOND QUARTER, STATCAN EARLIER THIS MONTH REPORTED JUNE DECREASES OF 0.8 PERCENT IN INDEX OF INDUSTRIAL PRODUCTION AND OF 0.1 PERCENT IN INDEX OF REAL DOMESTIC PRODUCT. (SEE SEPARATE AIRGRAMS REPORTING THESE DEVELOPMENTS.) THUS, ALTHOUGH STATCAN CLAIMED IN RELEASING GNP FIGURES THAT "ECONOMIC PICTURE BRIGHTENED IN SECOND QUARTER," THERE WERE INDICATIONS OF WEAKNESS IN RECOVERY OF ECONOMY FROM 1975

RECESSION.
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